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SIPDIS

WHA/CEN
EB FOR WCRAFT, BMANOGUE
E FOR DEDWARDS
WHA FOR WMIELE
WHA/EPSC FOR KURS, LGUMBINER
H FOR JHAGAN
STATE FOR HURRICANE KATRINA TASK FORCE
STATE PASS TO USTR FOR RVARGO, NMOORJANI, AMALITO

E.O. 12958: N/A

TAGS: [ETRD](#) [ECPS](#) [ECON](#) [PREL](#) [PGOV](#) [SOCI](#) [CS](#)

SUBJECT: EFFECTS OF HURRICANE KATRINA ON COSTA RICAN
BUSINESSES

1. Summary. While Costa Rica lies far south of the devastating path that Hurricane Katrina took, some Costa Rican businesses are being impacted by its effects on the operations of the port of New Orleans. Many Costa Rican companies rely on the port as the primary doorway for importing and exporting goods. These businesses are now faced with the need to use other, more costly alternatives and face uncertainty with respect to availability and price. The result will be higher costs of doing business and at least a temporary reduction in the global competitiveness of affected businesses. End Summary.

2. Last year, Costa Rican businesses exported over USD 16 million worth of products, such as tires, glass fibers, meat, coffee, fish, and spices through the port of New Orleans. One of the most affected businesses is Bridgestone Firestone which used to send three containers of tires per week to New Orleans and now has a shipment stranded in the Gulf of Mexico. "[The effects of Katrina] represent a problem because we export tires every week to New Orleans. Even more, the products we send to Canada also enter through this port," stated Isabel Jinestra, export assistant for Bridgestone Firestone. She also stated that the company will probably start shipping products to Charleston, South Carolina, at a shipping cost of fifty percent more per container.

COSTA RICAN EXPORTS TO NEW ORLEANS

3. Katrina has had other economic effects. The price of coffee has risen in part because of the destruction of the many coffee-roasting companies with large operations in New Orleans. In 2004, Costa Rica exported USD 8.9 million worth of coffee through New Orleans. These exporters are now using the ports of Houston and Jacksonville to meet their customers needs. The same is happening to various spice-exporting companies that in the first six months of 2005 sent 730 tons of products to New Orleans.

3. The aqua-culture industry with products such as farm-grown fish has also been affected. An example is the company Propica which exported half of its products through New Orleans, and has decided to start using Houston's port. On the positive side, according to representatives of Maersk Sealand, a shipping company, the cost of sending goods to Houston is about the same as sending them to New Orleans.

4. Exporters are not the only companies feeling the destruction brought on by Katrina. Companies that import basic production materials have suffered uncertainty in supplies and prices. Many plastic-producing operations, such as Modern Plastics, Inc., import oil from New Orleans's many refineries because of their proximity to Costa Rica. Many of these refineries were affected by Katrina and Costa Rican companies that use their products are forced to wait or find other sources for their operations. "The situation is uncertain. We do not know when supplies will be delivered, how long we have to wait, and the prices change every day," lamented Jack Liberman, general manager of Modern Plastics.

5. Grain and oilseed importers are also watching the Gulf situation closely, as 100 percent of Costa Rican consumption of yellow corn for animal feed and soybeans is imported from the United States through the port of New Orleans, and most rice and wheat imports pass through there as well. Costa Rican imports of these grains and oilseeds totaled 1.1 million metric tons in 2004. The major commodity importers report that for the short term they are in pretty good shape, since it appears that two vessels carrying U.S. corn and soybeans will arrive by mid-month. (Corn and soybeans, which are crushed in country for

soybean meal for the poultry industry, are especially critical.) For wheat, available supplies should last for a few weeks. Rice stocks in country are good, and import demand is low.

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